
Education Appropriations Committee

HB 2776

Brief Description: Regarding funding distribution formulas for K-12 education.

Sponsors: Representatives Sullivan, Priest, Maxwell, Dammeier, Carlyle, Finn, Anderson, Eddy, Nelson, Goodman, Orwall, Hunter, Simpson, Jacks, Kagi, Ormsby, Morrell, Probst and Santos.

Brief Summary of Bill

- Sets forth in statute numeric values in the prototypical school funding formula adopted in 2009, for average class size, allocations of building-level staff, supplemental instruction for categorical programs, central office administration, and allocations for maintenance, supplies, and operating costs (MSOC), all to take effect September 1, 2011.
- Requires that allocations for class size in grades K-3 be phased in to provide for a class size of 15.0 by the 2015-16 school year.
- Requires an increase in MSOC allocations to be phased in to a total of \$1,082.76 per full-time equivalent student by 2013-14, plus adjustment for inflation.
- Requires continued incremental phase-in of full-day kindergarten starting in 2011-12, with statewide implementation by 2017-18.
- Implements a new funding formula for pupil transportation in 2011 rather than 2013, and adopts a schedule for phasing-in funding under that formula with full implementation by 2013-14.
- Moves up timelines for technical working groups on compensation and local finance, with reports due in 2010. Puts the Compensation Working Group under the lead direction of the Office of the Superintendent of Public Instruction, rather than the Office of Financial Management.

Hearing Date: 1/26/10

Staff: Barbara McLain (786-7383), Ben Rarick (786-7349).

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

Background:

Overview:

Legislation enacted in 2009 (Chapter 548, Laws of 2009 or Engrossed Substitute House Bill 2261) revised the definition of the program of Basic Education and established new methods for distributing state funds to school districts to support this program. Various technical working groups were established to continue implementation of the legislation, as well as a Quality Education Council (QEC) composed of eight legislators, leaders of four state education agencies, and a representative of the Governor's Office.

Prototypical School Funding Formula:

The current funding formula for Basic Education relies on allocations of three different types of staff (certificated instructional, certificated administrative, and classified) per 1,000 full-time equivalent (FTE) students, plus an allocation for nonemployee-related costs calculated per certificated staff. Funding for categorical programs such as the Learning Assistance Program (LAP), the Transitional Bilingual Instructional Program (TBIP), and the Highly Capable Program is expressed as a per-student allocation. Funding for Special Education is through an excess cost allocation, which is a specified percent of the Basic Education allocation. With the exception of minimum staffing ratios, these formulas and their funding values are found in the appropriations act and associated documents rather than in statute.

The 2009 legislation states that, beginning September 1, 2011, "to the extent the technical details of the formula have been adopted by the Legislature, the distribution formula for the Basic Education instructional allocation shall be based on minimum staffing and nonstaff costs the Legislature deems necessary to support instruction and operations in prototypical schools serving high, middle, and elementary school students."

In the 2009 legislation, a certain amount of detail about the structure of the formula was placed into statute. The assumed size of each level of prototypical school is stated. Allocations for classroom teachers will be based on an assumed class size for various grade levels and assume a daily planning period. For each prototypical school, there will be allocations of specified types of building-level staff such as principals, librarians, counselors, office support, custodians, etc. Allocations for maintenance, supplies, and operating costs (MSOC) are expressed per FTE student and subdivided into various cost categories. Funding for categorical programs will be based on a level of supplemental service, such as an extended school day or year.

However, with the exception of the excess cost allocation for Special Education, the 2009 legislation did not contain any numeric values for the various funding formula elements to be implemented in 2011.

Funding Formula Technical Working Group (FFTWG):

The Office of Financial Management (OFM) and the Office of the Superintendent of Public Instruction (OSPI) were directed to convene a working group made up school financial managers, representatives of various education groups, and other individuals with expertise in education finance to develop the details of the new funding formula and submit recommendations to the Legislature by December 1, 2009. The work of the FFTWG was overseen by the QEC, which was also charged with making recommendations to the Legislature by January 1, 2010.

The FFTWG developed a recommended set of numeric values for the prototypical school funding formula that are intended to represent, as closely as possible, a translation of current levels of state funding for Basic Education into the new formula elements. Their final report calls these the "Baseline" values. The report also recommends various adjustments to the structure of the formula that appears in statute. According to an implementation timeline in the report, some action by the 2010 Legislature would be needed to continue the transition to a new formula in order for school district accounting and budgeting, as well as state budgeting and apportionment, to be based on the new funding structure by September 1, 2011.

The QEC recommended that the 2010 Legislature adopt the Baseline values and details of the prototypical school funding formula as recommended by the FFTWG and place these values into statute, to take effect September 1, 2011.

Pupil Transportation Funding Formula:

The current pupil transportation funding formula calculates the costs of transporting eligible students to and from school based on a radius mile for each student transported, adjusted by various factors. The 2009 Basic Education legislation authorized a new funding formula that uses a regression analysis of various cost factors to allocate funds to school districts. The laws authorizing the new formula take effect September 1, 2013, but implementation of the formula is to be phased-in according to an implementation schedule adopted by the Legislature. The QEC was directed to include a recommendation about this phase-in in its January 2010 report.

The QEC recommended that the new formula be authorized beginning September 1, 2011, rather than 2013, and further recommended that funding for the new formula be phased-in over a three-year period beginning in 2011.

Other Funding Working Groups:

The 2009 legislation also created a Local Finance Working Group and a Compensation Working Group. The Local Finance Working Group is to be convened beginning July 1, 2010, to develop options for a new system of supplemental school funding through local levies and local effort assistance. Their report is due December 1, 2011. The Compensation Working Group is to be convened beginning July 1, 2011, with an initial report due by December 1, 2012.

The QEC recommended that these two groups be convened immediately, with reports due in 2010. The QEC also recommended that the FFTWG be continued and asked to monitor implementation of the new funding formula and provide technical advice to the OSPI and the QEC.

Other QEC Recommendations:

The QEC's January 2010 report also contained recommendations to phase-in enhancements of state allocations for K-3 class size, MSOC, and full-day kindergarten above the values expressed in the Baseline. The QEC recommended that these enhancements be adopted in statute.

Summary of Bill:

Intent:

The Legislature intends to adopt the technical details of a new distribution formula for Basic Education and authorize a phase-in of implementation of a new distribution formula for pupil transportation. Unless otherwise stated, the numeric values adopted represent the translation of 2009-10 state funding levels for the Basic Education Act into the funding factors of the prototypical school funding formula. The Legislature will continue to review the formulas and make revisions as necessary for technical purposes and to correct errors.

Prototypical School Funding Formula:

The following numeric values for average class size, which forms the basis of allocations for classroom teachers in the funding formula, are specified:

- Grades K-3 25.23
- Grade 4 27.00
- Grades 5-6 27.00
- Grades 7-8 28.53
- Grades 9-12 28.74

Average class sizes are specified based on student enrollment in the following courses:

- Exploratory and preparatory CTE in middle and high school 26.57
- Preparatory CTE in skill centers 22.76
- Lab science, AP, and International Baccalaureate 28.74

The following allocations of building-level staff for each level of prototypical school are specified:

	<u>Elementary</u>	<u>Middle</u>	<u>High</u>
Principals and building administration	1.253	1.353	1.880
Teacher librarians	0.663	0.519	0.523
Student health services	0.135	0.068	0.118
Guidance counselors	0.493	1.116	1.909
Teaching assistance	0.917	0.685	0.638
Office support & non-instructional aides	1.971	2.277	3.201
Custodians	1.622	1.902	2.903
Student and staff safety	0.077	0.090	0.138

A new category of administrative staff allocations is created, called district-wide support, to be allocated per 1,000 FTE students in the school district:

- Technology support 0.615
- Facilities, maintenance, and grounds 1.776
- Warehouse, laborers, and mechanics 0.325

Staffing unit allocations for central office administration are calculated as 5.3 percent of the staffing unit allocations for classroom teachers, building-level staff, and district-wide support.

Minimum allocations of additional resources to support the LAP, TBIP, and Highly Capable Programs provide, as a statewide average, the following instructional hours per week per student in a class size of 15:

- LAP 1.5156 hours
- TBIP 4.778 hours

- Highly Capable 2.159 hours

The minimum allocations for MSOC per FTE student are specified as the following 2008-09 values, which must be adjusted annually for inflation:

• Technology	\$ 54.43
• Utilities and insurance	\$147.90
• Curriculum and textbooks	\$ 58.44
• Other supplies and library materials	\$124.07
• Professional development	\$ 9.04
• Facilities maintenance	\$ 73.27
• Central administration and security	<u>\$ 50.76</u>
Total:	\$517.90

Additional modifications are made to the structure of the funding formula:

1. Several categories for allocation of building-level staff and MSOC are changed;
2. A separate allocation for career and technical education (CTE) and skill center administrative staff is created;
3. Allocations for categorical programs are standardized, to be based on supplemental instructional hours per week in a class size of 15;
4. The funding base used to calculate excess costs for Special Education is corrected to exclude enhanced funding for CTE; and
5. The staffing base used to calculate staffing allocations for central administration is adjusted to exclude CTE enhancements and categorical programs and include a new districtwide support allocation.

For purposes of the statewide salary allocation schedule, those staffing categories from the prototypical school formula that are considered certificated instructional staff are specified.

Enhancements:

The average class size for grades K-3 must be reduced each year beginning in 2011-12 and beginning with schools with the highest percent of low-income students, until the class size in the formula beginning in the 2015-16 school year is 15.0.

Beginning with the 2011-12 school year, funding must continue to be phased-in incrementally each year for full-day kindergarten until full statewide implementation is achieved in the 2017-18 school year.

Beginning in 2011-12, the allocations for MSOC must be annually increased after being adjusted for inflation until the following 2007-08 values (to be adjusted for inflation) are provided beginning in the 2013-14 school year:

• Technology	\$113.80
• Utilities and insurance	\$309.21
• Curriculum and textbooks	\$122.17
• Other supplies and library materials	\$259.39
• Professional development	\$ 18.89
• Facilities maintenance	\$153.18
• Central administration and security	<u>\$106.12</u>
Total:	\$1083.80

Pupil Transportation Funding Formula:

Laws authorizing a new pupil transportation funding formula take effect September 1, 2011, instead of September 1, 2013. The phase-in of the implementation of the new formula must begin no later than the 2011-12 school year and be fully implemented by the 2013-14 school year.

Funding Working Groups:

The Local Finance Working Group is convened by April 1, 2010, and a report is required by December 1, 2010. In addition to its existing task, this group is directed to examine district capacity and facility needs associated with phasing in class size reduction and full-day kindergarten, as well as analyze the potential use of local funds that are made available from proposed increases in funding for transportation and MSOC.

The Compensation Working Group is convened by April 1, 2010 and an initial report is required by December 1, 2010. Lead responsibility for convening the Compensation Working Group is assigned to OSPI, in collaboration with OFM; OFM has lead responsibility in current law. The FFTWG is to be periodically convened to provide advice and technical assistance to the OSPI and the QEC.

Appropriation: None.

Fiscal Note: Requested on January 18,2010.

Effective Date: Sections 2, 3, and 10 dealing with adding numbers and making adjustments to the prototypical school funding formula, section 4 dealing with phasing-in full day kindergarten, and section 10 dealing with phasing-in funding under the pupil transportation formula take effect September 1, 2011. Sections 6 and 7 dealing with convening the Compensation and Local Finance Working Groups by April 1, 2010, contain an emergency clause and take effect immediately. The remainder of the bill takes effect 90 days after the end of the session in which it is passed.